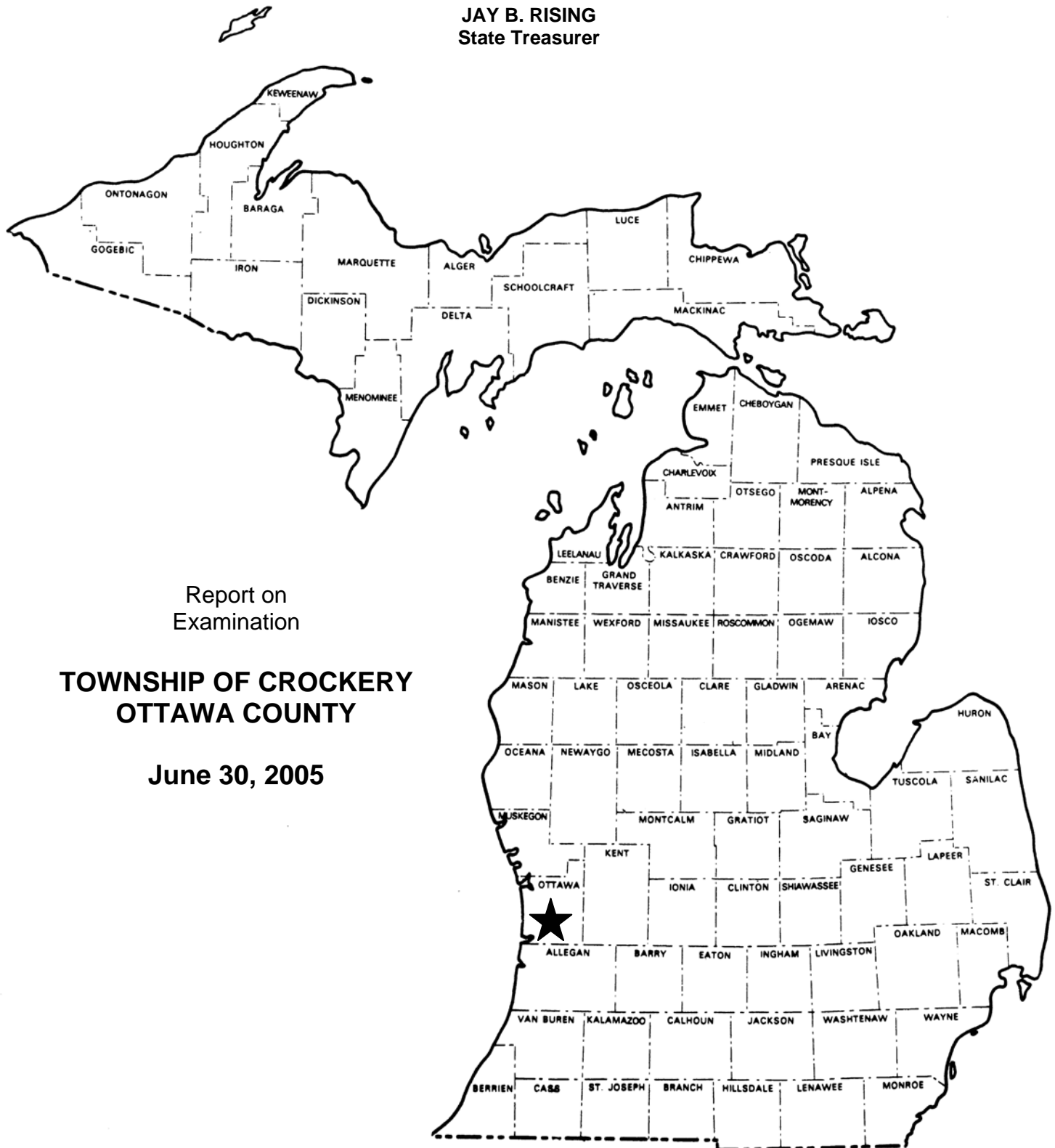


STATE OF MICHIGAN
JENNIFER M. GRANHOLM, Governor
DEPARTMENT OF TREASURY

JAY B. RISING
State Treasurer



Report on
Examination

TOWNSHIP OF CROCKERY
OTTAWA COUNTY

June 30, 2005

Local Audit and Finance Division
Bureau of Local Government Services

CROCKERY TOWNSHIP--OTTAWA COUNTY
TOWNSHIP BOARD

Leon Stille
Supervisor

Erika Muller
Clerk

Judy VanBemmelen
Treasurer

Dawn Ten Brink
Trustee

Karen Goll
Trustee

TOWNSHIP POPULATION--2000
3,782

STATE EQUALIZED VALUATION--2005
\$143,060,400



JENNIFER M. GRANHOLM
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

JAY B. RISING
STATE TREASURER

August 25, 2005

Crockery Township Board
17431 112th Avenue
Nunica, Michigan 49448

Independent Auditor's Report

Dear Commissioners:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Crockery Township, Ottawa County, Michigan, as of and for the year ended June 30, 2005, which collectively comprise the township's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of Crockery Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Crockery Township, as of June 30, 2005; and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued reports dated August 25, 2005, on our consideration of Crockery Township's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis on pages 1 through 6 and the Budgetary Comparisons for Major Funds, as identified in the Table of Contents, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries to management regarding the methods of measurements and the presentation of supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Crockery Township's basic financial statements. The combining and individual nonmajor fund financial statements are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The combining, individual nonmajor fund financial statements have been subjected to the auditing procedures applied by us in the audit of the basic financial statements; and in our opinion, based on our audit, are fairly stated in all material respects in relation to the basic financial statements, taken as a whole.

A handwritten signature in black ink, appearing to read 'CJ Vaughn', is positioned above the printed name.

Cary Jay Vaughn, CPA, CGFM
Audit Manager
Local Audit and Finance Division

CROCKERY TOWNSHIP

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CROCKERY TOWNSHIP--OTTAWA COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS

Using this Annual Report

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Township, as a whole, and present a longer-term view of the Township's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements.

The Township as a Whole

The Township's net assets for the governmental funds decreased \$72,320 from a year ago for the governmental activities due to an increase in audit fees that included an investigation by the State of Michigan on agreed upon procedures due to the complaints by the trustees. Excessive attorney expenses and the ongoing transfer of funds to the fire operating and fire truck/station debt funds contribute to the decrease. The expense for the fire truck/station will continue to drain the governmental activities until the year 2013. In contrast, the business-type activities increased \$25,140 primarily as a result of new water hookups. In a condensed format, the table below shows a comparison of the net assets as of the current year to the prior year.

	Governmental Activities 2004	Governmental Activities 2005	Difference	Percent
Current Assets	\$ 649,675	\$ 545,410	\$ (104,265)	-16%
Noncurrent Assets	1,031,712	993,574	(38,138)	-4%
Total Assets	1,681,387	1,538,984	(142,403)	-8%
Current Liabilities	103,330	106,563	3,233	3%
Long-Term Liabilities	661,458	588,142	(73,316)	-11%
Total Liabilities	764,788	694,705	(70,083)	-9%
Net Assets				
Invested in Capital Assets				
Net of Debt	287,874	332,654	44,780	16%
Restricted	125,344	43,474	(81,870)	-65%
Unrestricted (Deficit)	503,831	468,151	(35,680)	-7%
Total Net Assets	\$ 916,599	\$ 844,279	\$ (72,320)	-8%

CROCKERY TOWNSHIP--OTTAWA COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS

	Business-Type Activities 2004	Business-Type Activities 2005	Difference	Percent
Current Assets	\$ 406,018	\$ 352,312	\$ (53,706)	-13%
Noncurrent Assets	2,458,845	2,411,970	(46,875)	-2%
Total Assets	2,864,863	2,764,282	(100,581)	-4%
Current Liabilities	152,055	118,948	(33,107)	-22%
Long-Term Liabilities	457,614	365,000	(92,614)	-20%
Total Liabilities	609,669	483,948	(125,721)	-21%
Net Assets				
Invested in Capital Assets	1,753,378	1,730,018	(23,360)	-1%
Net of Debt			-	
Unrestricted (Deficit)	504,430	550,316	45,886	9%
Total Net Assets	\$ 2,255,194	\$ 2,280,334	\$ 25,140	1%

The following table shows the changes of the net assets as of the current year to the prior year:

	Governmental Activities 2004	Governmental Activities 2005	Difference	Percent
Program Revenues				
Charges for Services	\$ 89,920	\$ 111,105	\$ 21,185	24%
Operating Grants and Contributions	14,331	13,574	(757)	-5%
General Revenues				
Property Taxes	233,900	254,777	20,877	9%
State-Shared Revenues	264,649	261,457	(3,192)	-1%
Unrestricted Investment Earnings	4,199	3,577	(622)	-15%
Franchise Fees	3,305	3,451	146	4%
Other Revenue	1,325	24,474	23,149	1747%
Total Revenues	611,629	672,415	60,786	10%
Program Expenses				
General Government	263,064	286,168	23,104	9%
Public Safety	262,597	274,957	12,360	5%
Public Works	58,207	89,124	30,917	53%
Community and Economic Development	99,085	39,065	(60,020)	-61%
Recreation and Culture	24,826	28,062	3,236	13%
Other	6,968	(6,968)	(6,968)	-100%
Interest on Long-Term Debt	27,307	27,359	52	0%
Total Expenses	742,054	744,735	2,681	0%
Change in Net Assets	\$ (130,425)	\$ (72,320)	\$ 58,105	-45%

CROCKERY TOWNSHIP--OTTAWA COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS

	Business-Type Activities <u>2004</u>	Business-Type Activities <u>2005</u>	<u>Difference</u>	<u>Percent</u>
Program Revenues				
Charges for Services	\$ 147,925	\$ 152,252	\$ 4,327	3%
General Revenues				
Unrestricted Investment Earnings	23,518	23,264	(254)	-1%
Other Revenue	<u> </u>	<u>27,045</u>	<u>27,045</u>	<u>0%</u>
Total Revenues	<u>171,443</u>	<u>202,561</u>	<u>31,118</u>	<u>18%</u>
Program Expenses				
Water and Sewer	<u>138,862</u>	<u>180,035</u>	<u>41,173</u>	<u>30%</u>
Total Expenses	<u>138,862</u>	<u>180,035</u>	<u>41,173</u>	<u>30%</u>
Change in Net Assets	<u>\$ 32,581</u>	<u>\$ 22,526</u>	<u>\$ (10,055)</u>	<u>-31%</u>

With the building of a sewer plant and the expansion of water, we are beginning to see some growth in the Township. Although many do not want growth, the Township recognizes some growth is necessary in order to meet its obligations in debt. With the building of a fire station and the purchase of fire truck, at a cost well beyond the amount of the projected millage, the Township's General Fund will be burdened over the next 8 years to make up the deficiency of approximately \$23,000 each year. In today's business world, we constantly struggle with the legal expense. Because issues were not addressed in the prior years of bringing the Township ordinances, planning, and policies up to date, we are incurring the expenses going forward. Although the General Fund revenue was up this year, it was mainly due to the transfer of funds from various accounts not previously recorded in the General Fund. The Fire Operating Fund was able to hold expenses down to less than budgeted, due to the fire chief and his firefighters doing their best to hold expenses. The Building Fund increased due to the start of a major housing development and other building projects.

CROCKERY TOWNSHIP--OTTAWA COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS

Governmental Activities

	Governmental Funds 2004	Governmental Funds 2005	Difference	Percent
Revenues				
Taxes and Penalties	\$ 233,900	\$ 254,777	\$ 20,877	9%
Licenses and Permits	42,856	59,104	16,248	38%
State Grants	270,879	267,518		
Charges for Services	30,469	33,257	2,788	9%
Fines and Forfeits	402	1,055	653	162%
Interest and Rentals	21,636	22,742	1,106	5%
Other Revenue	16,614	37,454	20,840	125%
Total Revenues	616,756	675,907	59,151	10%
Program Expenses				
General Government	256,997	275,797	18,800	7%
Public Safety	177,795	187,267	9,472	5%
Public Works	58,207	89,124	30,917	53%
Community and Economic Development	99,085	39,065	(60,020)	-61%
Recreation and Culture	24,826	27,272	2,446	10%
Other	6,968	(6,968)	(6,968)	-100%
Capital Outlay	12,549	63,983	51,434	410%
Debt Service	105,609	107,007	1,398	1%
Total Expenses	742,036	789,515	47,479	6%
Change in Fund Balance	\$ (125,280)	\$ (113,608)	\$ 11,672	-9%

The Township's total governmental revenues increased primarily due to the continuing increase in the Township's tax base. However, expenses also increased due to the debt incurred in the building of the fire station and the purchase of a fire truck, which was over the voted millage to be collected for the debt for a net decrease in net assets of \$113,608. Without growth, this Township may be forced to impose a special millage to keep the Township operating and to meet its obligations. The Township cannot continue to operate as it has in the past, with excessive expenditures draining assets and burdening the future. We need to be proactive in our decisions and not reactive.

Business-Type Activities

The Township's business-type activities consist of the Water Fund. We provide water to approximately 30% of Township residents, which is purchased from the North Ottawa Water System (NOWS). The NOWS system is made up of the City of Grand Haven, Ferrysburg, Township of Spring Lake, Grand Haven, Robinson and the Village of Spring Lake. Crockery Township is a customer of Spring Lake Township and is included in their water projections.

CROCKERY TOWNSHIP--OTTAWA COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS

The Township's Funds

Our analysis of the Township's major funds is listed in the audit report, following the entity wide financial statements. The fund financial statements provide detailed information about the most significant funds, not the Township as a whole. The Township Board creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millages. The Township's major funds for 2005 include the General Fund, Fire Operating Fund, Fire Station and Truck Fund, and the Water Fund.

The General Fund pays for most of the Township's governmental services. The most significant are for general government activities, which incurred expenses of approximately \$275,797 in 2005. These services are supported by the operating millage and State shared revenues. The two fire funds are for the operations and equipment/building loan of the fire department, which are supported by two special voted millages recorded in their own respective funds. The voted millage expires in the year 2013. These funds record the receipts from the special millage and the transfer from the General Fund to meet their obligations. The Fire Operating Fund's millage does not meet the operating requirements and the Fire Station and Truck Fund's millage does not meet the annual debt requirement and requires subsidization from the General Fund.

General Fund Budgetary Highlights

Over the course of the year, the Township Board amended the budget to take into account events during the year. In December of 2004, we purchased the general ledger accounting package. This gave us more accurate accounting of funds. In setting up the general ledger system, it was noted that several budget items did not match in funds. The Board corrected the amount transferred from the General Fund to the Fire Operating Fund. It was also noted that the Building Fund was not balanced which was then corrected. Professional fees were substantially over the amount budgeted. Reduction of professional fees was immediately implemented.

Capital Asset and Debt Administration

At the end of 2005, the Township had \$3,178,592 invested in a broad range of capital assets, including buildings, fire equipment, fire vehicles, and the water system. To pay for the majority of these capital assets, especially the water system, fire station, and fire truck, the Township entered into various debt obligations totaling \$1,115,920.

Economic Factors and Next Year's Budgets and Rates

The Township's budget for 2005-06 will be a challenge for the current board. Even though our taxable value increased 5.75 percent, our millage rate, will only produce \$92,803 in General Fund revenue. Prior boards have basically spent future revenue without planning for current needs. Excessive spending in building a new fire station and purchasing a fire truck will hinder future purchases until the debt is paid in 2013. In 2000, a millage was voted to purchase a fire truck and remodel the existing fire station. In 2002, a new fire station was built for a cost of \$512,058 and a new truck purchased for \$460,720 for a total cost of \$972,778. This was financed with a loan of \$800,000 for 10 years. The annual loan payment is \$95,665. The amount collected from the voted millage is approximately \$23,000 less than the payment. Our General Fund will continue to subsidize the loan payment until the year 2012. The General Fund will continue to transfer funds to the Fire Operating Fund to meet their expenses over the collected millage revenue.

CROCKERY TOWNSHIP--OTTAWA COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS

A bond issue was sold in October 2004 for \$1,275,000 for the building of a sewer plant. This was part of a settlement of a lawsuit involving property where Eastbrook Homes are currently being built. As part of the development, Eastbrook Homes is responsible for making the bond payments. In the future, Crockery Township will be responsible for the cost of the daily operations of the sewer system. The initial costs will be paid for from the General Fund until we build a customer base. With the opening of the sewer plant it will be necessary to have a sewer ordinance and rates in effect, which will be completed in the 2005/2006 budget year.

It has been over 4 years since water rates have been adjusted. In order to keep the Water Fund healthy, rates and connection fees need to be adjusted. The current ordinance is over 20 years old and needs to be updated to more current situations. Currently, water service income does not cover system expenses and growth requirements.

It is projected that the State Shared Revenue will decrease by 3% to 5% over the next year. State Shared Revenue is 60% of the General Fund revenue.

We currently have over 30 miles of unpaved roads. In the past, we have brined those roads with our own equipment. We no longer have this option and have to depend on outside contractors. We are finding that the cost is increasing at an alarming rate and the quality is decreasing. We know that this is an issue that will have to be addressed in the future. The cost to pave 1 mile of road is approximately \$330,000.

Our legal bills are a constant expense. We have tried to curb the cost, but with new development and the need to have all our codes up to date, we have no choice but to seek legal advice. However, while the previous board exceeded its legal services budget by over \$100,000 we have significantly curtailed use and legal expense.

In the past year, we have issued over 94 building permits. These permits included new homes, remodeling, pole barns, accessory buildings, and decks. The value of the permits totaled \$5,103,248.

Our Township is growing and will continue to grow as people move from the east and west looking for open land. With the projected building of the 120th Avenue bridge and by-pass, we will see even more growth. We have the chance to develop our Township into a viable and great place to live. With this activity it is also becoming increasingly difficult to operate on a part-time basis.

Contacting the Township's Management

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Township's finances and to show accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the clerk's office.

**CROCKERY TOWNSHIP--OTTAWA COUNTY
GOVERNMENT-WIDE STATEMENT
OF NET ASSETS
June 30, 2005**

EXHIBIT A

	Governmental Activities	Business-Type Activities	Total
<u>ASSETS</u>			
Current Assets			
Bank Deposits	\$ 376,754	\$ 252,280	\$ 629,034
Investments	22,030	80,386	102,416
Receivables			
Special Assessments	3,049	32,337	35,386
Accounts	684	39,385	40,069
Internal Balances	52,076	(52,076)	-
Due From State	90,817		90,817
Total Current Assets	545,410	352,312	897,722
Noncurrent Assets			
Special Assessment Receivable		226,952	226,952
Capital Assets--Net of Accumulated Depreciation	993,574	2,185,018	3,178,592
Total Noncurrent Assets	993,574	2,411,970	3,405,544
Total Assets	<u>\$ 1,538,984</u>	<u>\$ 2,764,282</u>	<u>\$ 4,303,266</u>
<u>LIABILITIES AND NET ASSETS</u>			
Current Liabilities			
Accounts Payable	\$ 16,669	\$ 17,528	\$ 34,197
Due to Other Townships		10,661	10,661
Deposits Held in Trust	2,400		2,400
Accrued Liabilities	14,716	759	15,475
Total Current Liabilities	33,785	28,948	62,733
Long-Term Liabilities			
Notes Payable--Due Within One Year	72,779		72,779
Notes Payable--Due in More Than One Year	588,141		588,141
Bonds Payable--Due Within One Year		90,000	90,000
Bonds Payable--Due in More Than One Year		365,000	365,000
Total Noncurrent Liabilities	660,920	455,000	1,115,920
Total Liabilities	694,705	483,948	1,178,653
Net Assets			
Investment in Capital Assets--Net of Related Debt	332,654	1,730,018	2,062,672
Restricted for			
Fire Operating	(3,419)		(3,419)
Fire Station and Truck	6,097		6,097
Non-Major Funds	40,796		40,796
Unrestricted	468,151	550,316	1,018,467
Total Net Assets	<u>\$ 844,279</u>	<u>\$ 2,280,334</u>	<u>\$ 3,124,613</u>

The Notes to Financial Statements are an integral part of this statement

CROCKERY TOWNSHIP--OTTAWA COUNTY
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2005

EXHIBIT B

Functions/Programs	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS		
	Expenses	Charges for Services	Operating Grants and Contributions	Government Activites	Business-Type Activities	Total
Governmental Activities						
General Government	\$286,168	\$ 42,675	\$ 564	\$ (242,929)		\$ (242,929)
Public Safety	274,957	57,802	4,717	(212,438)		(212,438)
Public Works	89,124	4,593	6,070	(78,461)		(78,461)
Community and Economic Development	39,065	6,035		(33,030)		(33,030)
Recreation and Culture	28,062		2,223	(25,839)		(25,839)
Interest on Long-Term Debt	27,359			(27,359)		(27,359)
Total Governmental Activities	744,735	111,105	13,574	(620,056)		(620,056)
Business-Type Activites						
Water Fund	180,035	152,252			(27,783)	(27,783)
Total	\$924,770	\$ 263,357	\$ 13,574	\$ (620,056)	\$ (27,783)	\$ (647,839)
General Revenues						
Property Taxes				\$ 254,777		\$ 254,777
State-Shared Revenues				261,457		261,457
Franchise Fees				3,451		3,451
Unrestricted Investment Earnings				3,577	\$ 23,264	26,841
Other				24,474	27,045	51,519
Total General Revenues--Special Items and Transfers				547,736	50,309	598,045
Change in Net Assets				(72,320)	22,526	(49,794)
Net Assets--Beginning				916,599	2,257,808	3,174,407
Net Assets--Ending				\$ 844,279	\$ 2,280,334	\$ 3,124,613

The Notes to Financial Statements are an integral part of this statement

CROCKERY TOWNSHIP--OTTAWA COUNTY
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2005

EXHIBIT C

	<u>SPECIAL REVENUE FUNDS</u>				Total Governmental Funds
	General	Fire Operating	Fire Station and Truck	Non-Major	
<u>ASSETS</u>					
Bank Deposits	\$331,399	\$11,987	\$6,122	\$27,246	\$ 376,754
Investments	9,832			12,198	22,030
Accounts Receivable		684			684
Special Assessments Receivable				3,049	3,049
Due From State	90,817				90,817
Due From Other Funds	52,562				52,562
Total Assets	<u>\$484,610</u>	<u>\$12,671</u>	<u>\$6,122</u>	<u>\$42,493</u>	<u>\$ 545,896</u>
<u>LIABILITIES AND FUND EQUITY</u>					
Liabilities					
Accounts Payable	\$ 7,307	\$ 9,067	\$ 25	\$ 270	\$ 16,669
Due to Other Funds				486	486
Accrued Liabilities	6,752	7,023		941	14,716
Deposits Held in Trust	2,400				2,400
Deferred Revenue				3,049	3,049
Total Liabilities	<u>16,459</u>	<u>16,090</u>	<u>25</u>	<u>4,746</u>	<u>37,320</u>
Fund Equity					
Fund Balances					
Unreserved--Undesignated	<u>468,151</u>	<u>(3,419)</u>	<u>6,097</u>	<u>37,747</u>	<u>508,576</u>
Total Fund Equity	<u>468,151</u>	<u>(3,419)</u>	<u>6,097</u>	<u>37,747</u>	<u>508,576</u>
Total Liabilities and Fund Equity	<u>\$484,610</u>	<u>\$12,671</u>	<u>\$6,122</u>	<u>\$42,493</u>	<u>\$ 545,896</u>
Fund Balances--Total Governmental Funds					\$ 508,576
Amounts reported for governmental activities in the Statement of Net Assets are different because:					
Capital assets used in governmental activities are not financial resources and are not reported in the funds.					993,574
Special assessment receivables are expected to be collected over several years and are not available to pay for current year expenditures.					6,541
Revenue that does not provide current financial resources are not reported as revenue in the funds.					(3,492)
Long-term liabilities are not due and payable in the current period and are not reported in the funds.					<u>(660,920)</u>
Net Assets of Governmental Activities					<u>\$ 844,279</u>

The Notes to Financial Statements are an integral part of this statement.

CROCKERY TOWNSHIP--OTTAWA COUNTY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2005

EXHIBIT D

	General	Fire Operating	Fire Station and Truck	Non Major	Total Governmental Funds
Revenues					
Taxes and Penalties	\$ 119,135	\$ 67,509	\$ 68,133		\$ 254,777
Licenses and Permits	3,776			\$ 55,328	59,104
State Grants	266,375			1,143	267,518
Charges for Services	21,563	1,614		10,080	33,257
Fines and Forfeits	275			780	1,055
Interest and Rentals	20,124	210	77	2,331	22,742
Other Revenue	24,475	2,651		10,329	37,455
Total Revenues	455,723	71,984	68,210	79,991	675,908
Expenditures					
Current					
General Government	275,797				275,797
Public Safety		139,777	51	47,439	187,267
Public Works	29,082			60,042	89,124
Community and Economic Development	39,065				39,065
Recreation and Cultural	27,272				27,272
Capital Outlay	21,127	1,856	37,000	4,000	63,983
Debt Service					
Principal			70,255	9,393	79,648
Interest			25,409	1,950	27,359
Total Expenditures	392,343	141,633	132,715	122,824	789,515
Excess of Revenues Over (Under) Expenditures	63,380	(69,649)	(64,505)	(42,833)	(113,607)
Other Financing Sources (Uses)					
Interfund Transfers In	29,446	67,084	94,226		190,756
Interfund Transfers (Out)	(121,514)			(69,242)	(190,756)
Total Other Financing Sources (Uses)	(92,068)	67,084	94,226	(69,242)	-
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(28,688)	(2,565)	29,721	(112,075)	(113,607)
Fund Balance--July 1, 2004	496,839	(854)	(23,624)	149,822	622,183
Fund Balance--June 30, 2005	\$468,151	\$ (3,419)	\$ 6,097	\$ 37,747	\$ 508,576

Excess of Revenue over Other Sources Over (Under) Expenditures and Other Uses \$ (113,607)

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures; in the Statement of Activities, these costs are allocated over their estimated useful lives as depreciation. (34,869)

Long-term revenues are recorded in the Statement of Activities when the revenue is earned; they are not reported in the funds if collected after 60 days of year end. (3,492)

Repayments of installment purchase agreements is an expenditure in the governmental funds, but not in the Statement of Activities (where it reduces the long-term debt). 79,648

Change in Net Assets of Governmental Activities \$ (72,320)

The Notes to Financial Statements are an integral part of this statement.

CROCKERY TOWNSHIP--OTTAWA COUNTY
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2005

EXHIBIT E

	ENTERPRISE FUND
	<u>Water</u>
<u>ASSETS</u>	
Current Assets	
Bank Deposits	\$ 252,280
Investments	80,386
Receivables	
Special Assessments	32,337
Accounts	<u>39,385</u>
Total Current Assets	<u>404,388</u>
Noncurrent Assets	
Special Assessments	226,952
Capital Assets	
Net of Accumulated Depreciation	<u>2,185,018</u>
Total Noncurrent Assets	<u>2,411,970</u>
Total Assets	<u><u>\$ 2,816,358</u></u>
<u>LIABILITIES</u>	
Current Liabilities	
Accounts Payable	\$ 17,528
Due to Other Funds	52,076
Due to Other Townships	10,661
Accrued Liabilities	<u>759</u>
Total Current Liabilities	<u>81,024</u>
Noncurrent Liabilities	
Bonds Payable--Due Within One Year	90,000
Bonds Payable--Due in More Than One Year	<u>365,000</u>
Total Noncurrent Liabilities	<u>455,000</u>
Total Liabilities	<u>536,024</u>
<u>NET ASSETS</u>	
Invested in Capital Assets	
Net of Related Debt	1,730,018
Unrestricted	<u>550,316</u>
Total Net Assets	<u><u>\$ 2,280,334</u></u>

The Notes to Financial Statements are an integral part of this statement.

**CROCKERY TOWNSHIP--OTTAWA COUNTY
STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN NET ASSETS--PROPRIETARY FUNDS
For the Year Ended June 30, 2005**

EXHIBIT F

	ENTERPRISE FUND
	<u>Water</u>
Operating Revenues	
Charges for Services	<u>\$ 152,252</u>
Total Operating Revenues	<u>152,252</u>
Operating Expenses	
Salaries and Wages	4,932
Contractual Services	28,458
Materials and Supplies	14,549
Water Purchased	36,358
Equipment Repair and Maintenance	40,125
Utilities	5,883
Casualty and Liability Costs	2,385
Depreciation	<u>23,360</u>
Total Operating Expenses	<u>156,050</u>
Operating Income (Loss)	<u>(3,798)</u>
Nonoperating Revenues (Expenses)	
Special Assessments	27,045
Interest Earned on Investments	23,264
Interest Expense	<u>(23,985)</u>
Total Nonoperating Revenues (Expenses)	<u>26,324</u>
Net Income (Loss)	<u>22,526</u>
Change in Net Assets	<u>22,526</u>
Total Net Assets--July 1, 2004	<u>2,257,808</u>
Total Net Assets--June 30, 2005	<u><u>\$ 2,280,334</u></u>

The Notes to Financial Statements are an integral part of this statement.

CROCKERY TOWNSHIP--OTTAWA COUNTY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2005

EXHIBIT G

	<u>Water</u>
Cash Flows From Operating Activities	
Cash Received From Customers	\$ 146,696
Cash Payments to Employees for Services and Benefits	(5,234)
Cash Payments to Suppliers for Goods and Services	<u>(110,873)</u>
Net Cash Provided by Operating Activities	<u>30,589</u>
Cash Flows From Noncapital Financing Activities	
Special Assessments	<u>71,127</u>
Net Cash Provided by Noncapital Financing Activities	<u>71,127</u>
Cash Flows From Capital and Related Financing Activities	
Reduction of Debt	(87,614)
Interest Paid on Bonds	<u>(23,985)</u>
Net Cash Provided by Capital and Related Financing Activities	<u>(111,599)</u>
Cash Flows From Investing Activities	
Interest on Cash Equivalents	3,832
Sale or (Purchase) of Investments	<u>155,029</u>
Net Cash Provided by Investing Activities	<u>158,861</u>
Net Increase (Decrease) in Cash and Cash Equivalents	148,978
Cash and Cash Equivalents at Beginning of Year	<u>103,302</u>
Cash and Cash Equivalents at End of Year	<u><u>\$ 252,280</u></u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating Income (Loss)	\$ (3,798)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities	
Depreciation Expense	23,360
(Increase) Decrease in Accounts Receivable	(5,556)
(Increase) Decrease in Due To Other Governmental Units	(643)
Increase (Decrease) in Accounts Payable	17,528
Increase (Decrease) in Accrued Wages Payable	<u>(302)</u>
Net Cash Provided by Operating Activities	<u><u>\$ 30,589</u></u>

The Notes to Financial Statements are an integral part of this statement.

CROCKERY TOWNSHIP--OTTAWA COUNTY
STATEMENT OF NET ASSETS
FIDUCIARY FUNDS
June 30, 2005

EXHIBIT H

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash	<u>\$ 3,295</u>
Total Assets	<u><u>\$ 3,295</u></u>
<u>LIABILITIES</u>	
Liabilities	
Undistributed Tax Collections	<u>\$ 3,295</u>
Total Liabilities	<u><u>\$ 3,295</u></u>

The Notes to the Financial Statements are an integral part of this statement.

CROCKERY TOWNSHIP--OTTAWA COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Crockery Township conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by Crockery Township:

Reporting Entity

Crockery Township is located in Ottawa County and provides services to approximately 3,782 residents in many areas including public safety, highways and streets, general administrative services, fire protection, and community enrichment and development. The township is a general law township, and is governed by a 5-member board elected by the citizens of Crockery Township. The board consists of the supervisor, clerk, treasurer and two trustees whom reside in the community.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

CROCKERY TOWNSHIP--OTTAWA COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized when it is both measurable and available. Revenues are considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Revenues are recognized in the accounting period in which they become susceptible to accrual, that is, when they become both measurable and available to finance expenditures of the fiscal period. Property taxes, intergovernmental revenue, charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the township.

When both restricted and unrestricted resources are available for use, it is the township's policy to use restricted resources first, then unrestricted resources as they are needed.

The township reports the following major governmental funds:

The General Fund is the township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Fire Operating Fund accounts for the millage revenue is reserved for the operation of the fire department.

Fire Station and Truck Fund accounts for the millage revenue is reserved for the purchase of the fire station, the fire truck and the repayment of the related.

CROCKERY TOWNSHIP--OTTAWA COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The township reports the following major proprietary funds:

Water Fund accounts for the water operations of the township.

Additionally, the township reports the following fund type:

Agency Funds--These funds account for assets held on behalf of outside parties, including other governments.

Private-sector standards of accounting and financial reporting, issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board (GASB). Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The township has elected to consistently apply all applicable Financial Accounting Standards Board (FASB) pronouncements issued subsequent to November 30, 1989 in accounting and reporting for its proprietary operation.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include: 1) charges to customers or applicants for goods, services, or privileges provided; 2) operating grants and contributions; and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services, and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Water Fund relates to charges to customers for sales and services. The Water Fund also recognizes the portion of tap fees intended to recover current costs (e.g., labor and material to hook up new customers) as operating revenue. The portion intended to recover the cost of the infrastructure is recognized as nonoperating revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses, not meeting this definition, are reported as nonoperating revenues and expenses.

Bank Deposits and Investments

The cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less from the date of acquisition. The statement of cash flows includes both restricted and unrestricted cash and cash equivalents.

CROCKERY TOWNSHIP--OTTAWA COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments are stated at fair value and short-term investments are reported at cost, which approximates fair value. Earnings from investments are allocated to numerous funds as required by Federal regulations, State statutes, and local ordinances.

Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements, outstanding at the end of the fiscal year are referred to as either "interfund receivables/payables" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

Capital Assets

Capital assets, which include property, plant, equipment, infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

	<u>Governmental Funds</u>	<u>Water</u>
Land Improvements	15 to 30 years	
Building and Building Improvements	20 to 40 years	
Vehicles	3 to 10 years	
Equipment	3 to 10 years	
Water System		80 years

Deferred Revenue

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period or for resources that have been received, but not yet earned.

CROCKERY TOWNSHIP--OTTAWA COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE A--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Long-Term Obligations

In the government-wide financial statements and proprietary fund type statements, the long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Assets. For new bond issuances after the implementation of GASB Statement No. 34, bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

NOTE B--STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

The annual budget is prepared by the township supervisor and adopted by the township board at the annual public hearing. The township board approves all subsequent amendments to the budget. The General Fund and special revenue funds are under formal budgetary control. The budget has been prepared on the modified accrual basis, which is in accordance with generally accepted accounting principles. Unexpended appropriations lapse at year end. The budget has been adopted on an activity basis. Budgeted revenues and expenditures include any authorized amendments to the original budget as adopted. The budget adopted does not comply with all requirements established by Public Act 2 of 1968, as amended.

Excess of Expenditures Over Appropriation in Budgeted Funds

Public Act 2 of 1968, as amended, requires the adoption of a balanced budget for general and special revenue funds, as well as budget amendments as needed to prevent actual expenditures from exceeding those provided for in the budget.

CROCKERY TOWNSHIP--OTTAWA COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE B--STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

During the year, the township incurred expenditures in certain budgeted funds, which were in excess of the amounts appropriated, as follows:

<u>Fund, Function and Activity</u>	<u>Budget</u>	<u>Actual</u>	<u>Excess Expenditures</u>
General Fund			
General Government			
Township Board	\$ 6,785	\$ 7,412	\$ (627)
Elections	2,600	6,012	(3,412)
Audit	10,800	25,892	(15,092)
Assessor	18,800	19,520	(720)
Attorney	15,000	64,197	(49,197)
Clerk	20,315	21,776	(1,461)
Building and Grounds	44,395	53,573	(9,178)
General Administration	25,005	27,803	(2,798)
Capital Outlay	11,100	21,127	(10,027)
Transfers Out	107,275	121,514	(14,239)
Road Assessments			
Public Works	52,400	55,449	(3,049)
Fire Operating			
Public Safety	137,945	139,777	(1,832)
Fire Truck and Station			
Public Safety	15	51	(36)
Building			
Public Safety	46,340	46,792	(452)

During the year ended June 30, 2005, budgets were not adopted for the following special revenue funds:

Fire Truck
Fire Donation
Park Donation
Cemetery
Library

Fund Deficits

Crockery Township has an accumulated deficit of \$3,419 in the unreserved portion of fund balance in the Fire Operating Fund.

Public Act 140 of 1971, as amended, requires Crockery Township to file a deficit elimination plan with the Michigan Department of Treasury within 90 days after the end of the fiscal year for each fund that ended that year in a deficit condition. Crockery Township has not filed the required plan.

CROCKERY TOWNSHIP--OTTAWA COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE C--DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the township to deposit and invest in the accounts of Federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States Banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Crockery Township Board has designated two banks for the deposit of township funds. The investment policy adopted by the board in accordance with Public Act 20 of 1943, as amended, has authorized investment in the instruments described in the preceding paragraph. The township's deposits and investment policy are in accordance with statutory authority.

At year end, the township's deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Fiduciary Funds</u>	<u>Total</u>
Cash and Cash Equivalents	\$ 376,754	\$ 252,280	\$ 3,295	\$632,329
Investments	<u>22,030</u>	<u>80,386</u>		<u>102,416</u>
Total	<u>\$ 398,784</u>	<u>\$ 332,666</u>	<u>\$ 3,295</u>	<u>\$734,745</u>

The breakdown between deposits and investments is as follows:

	<u>Primary Government</u>
Bank Deposits (Checking and Savings Accounts, Certificates of Deposit)	\$ 632,079
Investments in Money Market and Government Operating Money Market	102,416
Petty Cash and Cash on Hand	<u>250</u>
Total	<u>\$ 734,745</u>

The bank balance of the primary government's deposits is \$765,347, of which \$200,000 is covered by Federal depository insurance.

CROCKERY TOWNSHIP--OTTAWA COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE C--DEPOSITS AND INVESTMENTS (Continued)

Investments Authorized by the Township's Investment Policy

The township's investment policy only authorizes investment in all those that are authorized by law. The township has limited their investments to money markets. The investment policy does not contain any specific provisions intended to limit the exposure to interest rate risk, credit risk, and concentration of credit risk.

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the township manages its exposure to interest rate risk is by participating in two money markets which hold diverse investments that are authorized by law for direct investment.

As of June 30, 2005, the township had the following investments:

	Reported Amount (Fair Value)
Investments	
Money Market (MM)	\$ 39,323
Government Operating MM	<u>63,093</u>
Total Primary Government	<u><u>\$ 102,416</u></u>

Concentration of Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The Money Market and Government Operating Money Market do not have a rating provided by a nationally recognized statistical rating organization.

The investment policy of the township contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by Michigan law.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Michigan law and the township's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits.

CROCKERY TOWNSHIP--OTTAWA COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE C--DEPOSITS AND INVESTMENTS (Continued)

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Michigan law and the township's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools.

NOTE D--PROPERTY TAXES

Property taxes are levied on each December 1st on the taxable valuation of property located in the township as of the preceding December 31st. The township property taxes were levied and collectible on December 1, 2004. It is the policy of Crockery Township to recognize revenue from the current tax levy in the fiscal year when proceeds of this levy are budgeted and made available for the financing of operations.

The 2004 taxable valuation of Crockery Township amounted to \$94,022,941 on which ad valorem taxes of .9386 mills were levied for township operating purposes, .7207 mills for fire operations, and .7207 for the fire station and truck resulting in property tax revenue of \$88,250, \$67,762, and \$67,762, respectively, during the fiscal year ended June 30, 2005. These amounts are recognized in the respective General and Special Revenue Fund financial statements as tax revenue.

NOTE E--RECEIVABLES

Special Assessments Receivable-Governmental Funds

The township collects special assessments in the Road Assessment Fund and the Water Fund to collect for expenses incurred by the township to pave roads and create the water system. The special assessments are billed in July and placed on the tax bills if not collected. As of June 30, 2005, the Road Assessment Fund had a special assessment receivable balance of \$3,049 offset by deferred revenue. The Water Fund has special assessments receivable of \$259,289.

Accounts Receivable

The accounts receivable for the township are recorded in the Water Fund. The receivable is based on the water services provided by the township. The receivables do not have an allowance for doubtful accounts because any receivables not collected are placed on the customer's tax bill. The receivable for the Water Fund is \$39,385.

CROCKERY TOWNSHIP--OTTAWA COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE F--INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The amounts of interfund receivables and payables between funds are as follows:

<u>Fund</u>	<u>Interfund Receivable</u>	<u>Fund</u>	<u>Interfund Payable</u>
General	\$52,562	Water	\$52,076
		Nonmajor Governmental	486
Total Primary Government	<u>\$52,562</u>		<u>\$52,562</u>

The 2005 operating transfers from Exhibits D can be summarized as follows:

	<u>Transfers In</u>	<u>Transfers (Out)</u>
General	\$ 29,446	\$121,514
Fire Operating	67,084	
Fire Station and Truck	94,226	
Non-Major Governmental		69,242
Total	<u>\$190,756</u>	<u>\$190,756</u>

CROCKERY TOWNSHIP--OTTAWA COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE G--CAPITAL ASSETS

Capital asset activity of the township for the current year was as follows:

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets Not Being Depreciated				
Land	\$ 500			\$ 500
Subtotal	500	\$ -	\$ -	500
Capital Assets Being Depreciated				
Land Improvements	56,663	\$3,659		60,322
Building and Building Improvements	659,121	3,276		662,397
Equipment	58,998	20,048		79,046
Vehicles	701,806	37,000		738,806
Subtotal	1,476,588	63,983	-	1,540,571
Less Accumulated Depreciation for				
Land Improvements	44,722	2,839		47,561
Building and Building Improvements	128,550	18,594		147,144
Equipment	26,843	5,934		32,777
Vehicles	248,531	71,484		320,015
Subtotal	448,646	98,851	-	547,497
Net Capital Assets Being Depreciated	1,027,942	(34,868)	-	993,074
Governmental Activities Capital Total				
Capital Assets--Net of Depreciation	<u>\$ 1,028,442</u>	<u>\$(34,868)</u>	<u>\$ -</u>	<u>\$ 993,574</u>

The depreciation expense was \$98,851 during the year.

CROCKERY TOWNSHIP--OTTAWA COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE G--CAPITAL ASSETS (Continued)

<u>Business-Type Activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets Being Depreciated				
Water System	<u>\$2,840,963</u>	<u> </u>	<u> </u>	<u>\$2,840,963</u>
Subtotal	<u>2,840,963</u>	<u>\$ -</u>	<u>\$ -</u>	<u>2,840,963</u>
Less Accumulated Depreciation for				
Water System	<u>632,585</u>	<u>23,360</u>	<u> </u>	<u>655,945</u>
Subtotal	<u>632,585</u>	<u>23,360</u>	<u>-</u>	<u>655,945</u>
Net Capital Assets Being Depreciated	<u>2,208,378</u>	<u>(23,360)</u>	<u>-</u>	<u>2,185,018</u>
Business-Type Activities Capital Total				
Capital Assets--Net of Depreciation	<u>\$2,208,378</u>	<u>\$(23,360)</u>	<u>\$ -</u>	<u>\$2,185,018</u>

The depreciation expense was \$23,360 during the year.

Depreciation expense was charged to programs of the primary government as follows:

Governmental Activities	
General Government	\$10,371
Public Safety	87,690
Recreational and Cultural	<u>790</u>
Total Governmental Activities	<u>\$98,851</u>
Business-Type Activities	
Water	<u>\$23,360</u>
Total Business-Type Activities	<u>\$23,360</u>

NOTE H--LONG-TERM DEBT

The township issues bonds to provide for the acquisition and construction of major capital improvements. General obligation bonds are direct obligations and pledge the full faith and credit of the township. Special assessment bonds provide for capital improvements that benefit specific properties, and will be repaid from amounts levied against those properties benefited from the construction. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service.

CROCKERY TOWNSHIP--OTTAWA COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE H--LONG-TERM DEBT (Continued)

Bond and contractual obligation activity can be summarized as follows:

	<u>Balance 07/01/04</u>	<u>Additions (Reductions)</u>	<u>Balance 06/30/05</u>	<u>Due Within One Year</u>
<u>Governmental Activities</u>				
Crockery Township Note Payable of \$450,243 for ten years at an interest rate of 3.56% due in semiannual installments for the construction of a new fire station.	\$ 411,105	\$ (39,501)	\$ 371,604	\$ 40,920
Crockery Township Note Payable of \$349,757 for ten years at an interest rate of 3.56% due in semiannual installments for the purchase of a new fire truck.	320,070	(30,754)	289,316	31,859
Crockery Township Note Payable of \$77,450 for eight years at an interest rate of 5.89% due in annual installments of \$9,944 for the paving of a road.	<u>9,393</u>	<u>(9,393)</u>	<u>-</u>	<u>-</u>
Total Governmental Activities	<u><u>\$ 740,568</u></u>	<u><u>\$ (79,648)</u></u>	<u><u>\$ 660,920</u></u>	<u><u>\$ 72,779</u></u>
<u>Business-Type Activities</u>				
Crockery Township refunded bonds due in annual installments of \$55,000 to \$85,000 for ten years at an interest rate ranging from 3.8% to 4.7% for establishing the water system.	\$ 325,000	\$ (75,000)	\$ 250,000	\$ 80,000
Crockery Township refunded bonds due in annual installments of \$10,000 to \$20,000 for 20 years at an interest rate ranging from 3.8% to 5.25% for establishing the water system.	215,000	(10,000)	205,000	10,000
Crockery Township Note Payable of \$36,200 for eight years at an interest rate of 6.4% due in annual installments of \$5,012 for the expansion of the water system.	<u>2,614</u>	<u>(2,614)</u>	<u>-</u>	<u>-</u>
Total Business-Type Activities	<u><u>\$ 542,614</u></u>	<u><u>\$ (87,614)</u></u>	<u><u>\$ 455,000</u></u>	<u><u>\$ 90,000</u></u>

CROCKERY TOWNSHIP--OTTAWA COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE H--LONG-TERM DEBT (Continued)Annual Principal and Interest Requirements

The annual requirements to pay the principal and interest on the township's long-term debt obligations outstanding at June 30, 2005 are as follows:

Date of Issue: June 1, 2003

Amount: \$450,243

Purpose: Fire Truck

Year	Principal		Interest		Annual Total
	December 1	June 1	Decmeber 1	June 1	
2006	\$ 20,279	\$ 20,640	\$ 6,615	\$ 6,254	\$ 53,788
2007	21,008	21,382	5,886	5,512	53,788
2008	21,762	22,150	5,132	4,744	53,788
2009	22,544	22,945	4,350	3,949	53,788
2010	23,354	23,769	3,540	3,125	53,788
2011-2013	75,216	76,555	5,467	4,127	161,365
	<u>\$ 184,163</u>	<u>\$ 187,441</u>	<u>\$ 30,990</u>	<u>\$ 27,711</u>	<u>\$ 430,305</u>

Date of Issue: June 1, 2003

Amount: \$349,757

Purpose: Fire Station

Year	Principal		Interest		Annual Total
	December 1	June 1	Decmeber 1	June 1	
2006	\$ 15,789	\$ 16,070	\$ 5,150	\$ 4,868	\$ 41,877
2007	16,356	16,647	4,583	4,291	41,877
2008	16,943	17,245	3,995	3,694	41,877
2009	17,552	17,864	3,387	3,074	41,877
2010	18,182	18,506	2,756	2,433	41,877
2011-2013	58,561	59,601	4,256	3,213	125,631
	<u>\$ 143,383</u>	<u>\$145,933</u>	<u>\$ 24,127</u>	<u>\$21,573</u>	<u>\$335,016</u>

CROCKERY TOWNSHIP--OTTAWA COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE H--LONG-TERM DEBT (Continued)

Date of Issue: November 1, 1998

Amount: \$720,000

Purpose: Establish Water System (Refunded Bonds)

<u>Year</u>	<u>Interest</u>	<u>Principal</u>
2006	4.60%	\$ 80,000
2007	4.65%	85,000
2008	4.70%	<u>85,000</u>
		<u>\$250,000</u>

Date of Issue: November 1, 1998

Amount: \$275,000

Purpose: Establish Water System (Refunded Bonds)

<u>Year</u>	<u>Principal November 1</u>	<u>Interest</u>		<u>Annual Total</u>
		<u>May 1</u>	<u>November 1</u>	
2005	\$ 10,000		\$ 5,217	\$ 15,217
2006	10,000	\$ 4,988	4,987	19,975
2007	15,000	4,755	4,755	24,510
2008	15,000	4,403	4,402	23,805
2009	15,000	4,043	4,043	23,086
2010-2014	80,000	14,438	14,437	108,875
2015-2017	<u>60,000</u>	<u>3,150</u>	<u>3,150</u>	<u>66,300</u>
	<u>\$ 205,000</u>	<u>\$35,777</u>	<u>\$ 40,991</u>	<u>\$281,768</u>

CROCKERY TOWNSHIP--OTTAWA COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE I--SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The township maintains an enterprise fund that provides water services. Segment information for the year ended June 30, 2005 was as follows:

	<u>Water</u>
Operating Revenues	\$ 152,252
Operating Income (Loss)	(3,798)
Net Income (Loss)	22,526
Water System Less	
Accumulated Depreciation	2,185,018
Net Working Capital	332,666
Long-Term Debt	455,000
Total Assets	2,816,358
Total Equity	2,280,334

NOTE J--RISK MANAGEMENT

Crockery Township is exposed to various risks of loss related to property loss, torts, and errors and omissions and employees injuries (workers' compensation). The township has purchased commercial insurance coverage through various policies for general liability, property, vehicle and workmans' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three years.

The Michigan Township's Participating Plan (Plan) operates as an insurance pool for local units of government in Michigan. The Plan purchases commercial insurance on behalf of its members at a lower cost than would be available on an individual basis.

NOTE K--COMMITMENTS

On August 1, 1984, Crockery Township entered into an agreement with Spring Lake Township for the use of the Spring Lake Water Distribution System and a portion of Spring Lake's capacity rights in the Northwest Ottawa County Water System, and for the right to draw water from the system. According to the agreement, Crockery Township agreed to special assess the residents bordering Spring Lake Township as the residents connected to the water system. Residents are not required to use the township's water system and therefore would not be special assessed. Because of this, Crockery Township has a balance of \$162,828 to be paid back at some point in the future as the residents access the water system and the special assessments become available.

CROCKERY TOWNSHIP--OTTAWA COUNTY

NOTES TO FINANCIAL STATEMENTS

NOTE L--SUBSEQUENT EVENTS

In June 2005, the township approved to sell \$420,000 of revenue bonds to expand the township's water system. The bonds are to be repaid over the next 20 years with interest only payments for the first 3 years followed by annual installments ranging from \$15,000 to \$35,000 for the remaining 17 years at an interest rate ranging from 3.625% to 4.3%.

In 2004, the township lost a lawsuit to Eastbrook Development (formerly Delphin Properties) and was court ordered to establish a sewer system. The Ottawa County Road Commission is currently building the sewer system with bonds issued by the road commission for the township. As of June 30, 2005, the road commission had sold the \$1,275,000 revenue bonds for the project and has approximately spent \$809,000 on the project. Once the sewer project is completed to the specifications of the road commission, the sewer system will be turned over to the township. The bond is to be repaid by Eastbrook Development. The operational expenses related to the sewer system will be recovered through charges determined by the township. Since the sewer system has not yet been turned over to the township, no related assets have been recorded in the township's financial statements.

**CROCKERY TOWNSHIP--OTTAWA COUNTY
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended June 30, 2005**

EXHIBIT I

	<u>BUDGETED AMOUNTS</u>			Variance With Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Taxes and Penalties	\$ 112,850	\$ 112,850	\$ 119,135	\$ 6,285
Licenses and Permits	3,100	3,100	3,776	676
State Grants	261,430	260,000	266,375	6,375
Charges for Services	16,100	16,100	21,563	5,463
Fines and Forfeits		-	275	275
Interest and Rentals	18,000	18,000	20,124	2,124
Other Revenue	8,600	4,000	24,474	20,474
Total Revenues	420,080	414,050	455,722	41,672
Expenditures				
Current				
General Government	198,056	198,056	275,797	(77,741)
Public Safety	1,040	-	-	-
Public Works	42,634	38,034	29,082	8,952
Community and Economic Development	44,065	44,065	39,065	5,000
Recreation and Cultural	27,910	27,910	27,272	638
Capital Outlay	11,100	11,100	21,127	(10,027)
Total Expenditures	324,805	319,165	392,343	(73,178)
Excess of Revenues Over (Under) Expenditures	95,275	94,885	63,379	(31,506)
Other Financing Sources (Uses)				
Interfund Transfers In			29,446	29,446
Interfund Transfers (Out)	(118,000)	(107,275)	(121,514)	(14,239)
Total Other Financing Sources (Uses)	(118,000)	(107,275)	(92,068)	15,207
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(22,725)	(12,390)	(28,689)	(16,299)
Fund Balance--July 1, 2004	-	(10,725)	496,839	507,564
Fund Balance--June 30, 2005	\$ (22,725)	\$ (23,115)	\$ 468,150	\$ 491,265

CROCKERY TOWNSHIP--OTTAWA COUNTY
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE
FIRE OPERATING FUND--MAJOR SPECIAL REVENUE FUND
For the Year Ended June 30, 2005

EXHIBIT J

	<u>BUDGETED AMOUNTS</u>			Variance With Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Taxes	\$ 67,420	\$ 67,420	\$ 67,509	\$ 89
Charges for Services			1,614	1,614
Interest			210	210
Other Revenue			2,651	2,651
Total Revenues	<u>67,420</u>	<u>67,420</u>	<u>71,984</u>	<u>4,564</u>
Expenditures				
Public Safety	137,945	137,945	139,777	(1,832)
Capital Outlay	8,750	8,750	1,856	6,894
Total Expenditures	<u>146,695</u>	<u>146,695</u>	<u>141,633</u>	<u>5,062</u>
Excess of Revenues Over (Under) Expenditures	<u>(79,275)</u>	<u>(79,275)</u>	<u>(69,649)</u>	<u>9,626</u>
Other Financing Sources (Uses)				
Interfund Transfers In	<u>79,275</u>	<u>79,275</u>	<u>67,084</u>	<u>(12,191)</u>
Total Other Financing Sources (Uses)	<u>79,275</u>	<u>79,275</u>	<u>67,084</u>	<u>(12,191)</u>
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	-	-	(2,565)	(2,565)
Fund Balance--July 1, 2004	<u>-</u>	<u>-</u>	<u>(854)</u>	<u>(854)</u>
Fund Balance--June 30, 2005	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (3,419)</u>	<u>\$ (3,419)</u>

**CROCKERY TOWNSHIP--OTTAWA COUNTY
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE
FIRE STATION AND TRUCK--MAJOR SPECIAL REVENUE FUND
For the Year Ended June 30, 2005**

EXHIBIT K

	<u>BUDGETED AMOUNTS</u>			Variance With Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues				
Taxes	\$ 67,600	\$ 67,600	\$ 68,133	\$ 533
Interest and Rentals	65	65	77	12
Total Revenues	67,665	67,665	68,210	545
Expenditures				
Public Safety		15	51	(36)
Capital Outlay		37,000	37,000	-
Debt Service				
Principal	70,255	70,255	70,255	-
Interest	25,410	25,410	25,409	1
Total Expenditures	95,665	132,680	132,715	(35)
Excess of Revenues Over (Under) Expenditures	(28,000)	(65,015)	(64,505)	510
Other Financing Sources (Uses)				
Interfund Transfers In	28,000	65,015	94,226	29,211
Total Other Financing Sources (Uses)	28,000	65,015	94,226	29,211
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	-	-	29,721	29,721
Fund Balance--July 1, 2004	-	-	(23,624)	(23,624)
Fund Balance--June 30, 2005	\$ -	\$ -	\$ 6,097	\$ 6,097

**CROCKERY TOWNSHIP--OTTAWA COUNTY
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
June 30, 2005**

EXHIBIT L

	SPECIAL REVENUE FUNDS									CAPITAL PROJECT FUND	
	Road Assessments	Fire Truck	Fire Department Donations	Park Equipment Donations	Cemetery	Liquor Law	Street Lights	Building Department	Library	Building Millage	Total
<u>ASSETS</u>											
Bank Deposits						\$1,684		\$25,562			\$27,246
Investments					\$12,198						12,198
Special Assessments Receivable	\$3,049										3,049
Total Assets	\$3,049	\$ -	\$ -	\$ -	\$12,198	\$1,684	\$ -	\$25,562	\$ -	\$ -	\$42,493
<u>LIABILITIES AND FUND BALANCES</u>											
Accounts Payable								\$270			\$270
Due to Other Funds					\$486						486
Accrued Liabilities						\$45		896			941
Deferred Revenue	\$3,049										3,049
Total Liabilities	3,049	\$ -	\$ -	\$ -	486	45	\$ -	1,166	\$ -	\$ -	4,746
Fund Balances											
Unreserved--Undesignated	-	-	-	-	11,712	1,639	-	24,396	-	-	37,747
Total Fund Balances	-	-	-	-	11,712	1,639	-	24,396	-	-	37,747
Total Liabilities and Fund Balances	\$3,049	\$ -	\$ -	\$ -	\$12,198	\$1,684	\$ -	\$25,562	\$ -	\$ -	\$42,493

CROCKERY TOWNSHIP--OTTAWA COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2005

EXHIBIT M

	SPECIAL REVENUE FUNDS									CAPITAL PROJECT FUND	
	Road Assessments	Fire Truck	Fire Department Donations	Park Equipment Donations	Cemetery	Liquor Law	Street Lights	Building Department	Library	Building Millage	Total
Revenues											
Licenses and Permits								\$ 55,328			\$ 55,328
State Grants						\$ 1,143					1,143
Charges for Services					\$ 10,000			80			10,080
Fines and Forfeits								780			780
Interest and Rentals	\$ 1,152	\$ 140	\$ 14	\$ 4	98			359	\$ 98	\$ 466	2,331
Other	3,492		123	2,121			\$ 4,593				10,329
Total Revenues	4,644	140	137	2,125	10,098	1,143	4,593	56,547	98	466	79,991
Expenditures											
Public Safety						647		46,792			47,439
Public Works	55,449						4,593				60,042
Capital Outlay				4,000							4,000
Debt Service											
Principal	9,393										9,393
Interest and Fees	1,950										1,950
Total Expenditures	66,792	-	-	4,000	-	647	4,593	46,792	-	-	122,824
Excess of Revenue Over (Under)											
Expenditures	(62,148)	140	137	(1,875)	10,098	496	-	9,755	98	466	(42,833)
Other Financing Sources (Uses)											
Interfund Transfers (Out)		(36,451)	(3,345)	(483)	(1,231)				(4,488)	(23,244)	(69,242)
Total Other Financing											
Sources (Uses)	-	(36,451)	(3,345)	(483)	(1,231)	-	-	-	(4,488)	(23,244)	(69,242)
Excess of Revenues and Other											
Sources Over (Under)											
Expenditures and Other Uses	(62,148)	(36,311)	(3,208)	(2,358)	8,867	496	-	9,755	(4,390)	(22,778)	(112,075)
Fund Balance--July 1, 2004	62,148	36,311	3,208	2,358	2,845	1,143	-	14,641	4,390	22,778	149,822
Fund Balance--June 30, 2005	\$ -	\$ -	\$ -	\$ -	\$ 11,712	\$ 1,639	\$ -	\$ 24,396	\$ -	\$ -	\$ 37,747

CROCKERY TOWNSHIP--OTTAWA COUNTY
STATEMENT OF CHANGES IN ASSETS
AND LIABILITIES--AGENCY FUNDS
For the Year Ended June 30, 2005

EXHIBIT N

	Balance 07/01/04	Additions	Deductions	Balance 06/30/05
<u>TAX COLLECTION FUND</u>				
Assets				
Cash	\$40,144	\$ 2,232,378	\$ 2,269,227	\$ 3,295
Total Assets	\$40,144	\$ 2,232,378	\$ 2,269,227	\$ 3,295
Liabilities				
Due to County		\$ 900,354	\$ 900,354	-
Due to Schools		1,052,306	1,052,306	-
Due to Other Funds		270,560	270,560	-
Tax Overpayments		9,158	9,158	-
Undistributed Tax Collections	\$40,144		36,849	\$ 3,295
Total Liabilities	\$40,144	\$ 2,232,378	\$ 2,269,227	\$ 3,295

**CROCKERY TOWNSHIP--OTTAWA COUNTY
SCHEDULE OF REVENUES AND OTHER FINANCING
SOURCES--BUDGET TO ACTUAL--GENERAL FUND
For the Year Ended June 30, 2005**

EXHIBIT O

	BUDGETED AMOUNTS			Variance With
	Original	Final	Actual	Final Budget Positive (Negative)
Taxes and Penalties				
Current Property Taxes	\$ 88,000	\$ 88,000	\$ 88,083	\$ 83
Personal Property Taxes			860	860
Delinquent Personal Property Taxes	500	500	4,858	4,358
Trailer Park Taxes	650	650	660	10
Interest and Penalties on Taxes	700	700	52	(648)
Property Tax Administration Fees	23,000	23,000	24,622	1,622
Total Taxes and Penalties	112,850	112,850	119,135	6,285
Licenses and Permits				
Licenses and Permits	100	100	325	225
Cable Franchise Fees	3,000	3,000	3,451	451
Total Licenses and Permits	3,100	3,100	3,776	676
State Grants				
Revenue Sharing	260,000	260,000	261,457	1,457
Metro Act	-	-	4,918	4,918
Liquor Law	1,430			
Total State Grants	261,430	260,000	266,375	6,375
Charges for Services				
Grave Openings	3,000	3,000	5,684	2,684
Summer Collection	6,500	6,500	6,180	(320)
Cemetery Sale of Lots			475	475
Trash Bags			460	460
Zoning Changes	3,000	3,000	250	(2,750)
Zoning Books			405	405
Zoning-Site Plan Land Development			100	100
Planning Commission			4,680	4,680
Pop Machine Income	700	700	629	(71)
Brine Income	300	300	-	(300)
Title Search Income	2,500	2,500	2,700	200
Other Charges for Services	100	100	-	(100)
Total Charges for Services	16,100	16,100	21,563	5,463
Fines and Forfeitures				
Ordinance Fines	-	-	275	275
Total Fines and Forfeitures	-	-	275	275
Interest and Rents				
Interest Earned	4,000	4,000	3,577	(423)
Rental Income	14,000	14,000	16,547	2,547
Total Interest and Rents	18,000	18,000	20,124	2,124
Other Revenues				
Donations From Private Sources			7	7
Street Light Assessments	4,600			-
Refunds and Reimbursements	4,000	4,000	24,468	20,468
Total Other Revenues	8,600	4,000	24,475	20,475
Total Revenue	420,080	414,050	455,723	41,673
Other Financing Sources				
Interfund Transfers In			29,446	29,446
Total Other Financing Sources	-	-	29,446	29,446
Total Revenues and Other Financing Sources	\$420,080	\$414,050	\$ 485,169	\$71,119

CROCKERY TOWNSHIP--OTTAWA COUNTY
SCHEDULE OF EXPENDITURES AND OTHER USES--BY ACTIVITY
BUDGET AND ACTUAL--GENERAL FUND
For the Year Ended June 30, 2005

EXHIBIT P

	BUDGETED AMOUNTS			Variance With Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
General Government				
Township Board	\$ 6,785	\$ 6,785	\$ 7,412	\$ (627)
Supervisor	14,855	14,855	11,756	3,099
Elections	2,600	2,600	6,012	(3,412)
Audit	10,800	10,800	25,892	(15,092)
Assessor	18,800	18,800	19,520	(720)
Attorney	15,000	15,000	64,197	(49,197)
Clerk	20,315	20,315	21,776	(1,461)
Board of Review	946	946	588	358
Treasurer	29,395	29,395	28,847	548
Building and Grounds	44,395	44,395	53,573	(9,178)
Cemetery	9,160	9,160	8,421	739
General Administration	25,005	25,005	27,803	(2,798)
Total General Government	198,056	198,056	275,797	(77,741)
Public Safety				
Liquor Law	1,040			-
Total Public Safety	1,040	-	-	-
Public Works				
Drains	2,000	2,000	-	2,000
Road Maintenance	24,500	24,500	18,286	6,214
Street Lights	6,500	1,900	1,162	738
Water	9,634	9,634	9,634	-
Total Public Works	42,634	38,034	29,082	8,952
Community Development				
Planning Commission	21,795	21,795	21,288	507
Zoning Board	20,640	20,640	16,695	3,945
Zoning Board of Appeals	1,630	1,630	1,082	548
Total Community Development	44,065	44,065	39,065	5,000
Recreational and Cultural				
Recreational	1,200	1,200	1,000	200
Library	26,710	26,710	26,272	438
Total Recreational and Cultural	27,910	27,910	27,272	638
Capital Outlay				
Capital Outlay	11,100	11,100	21,127	(10,027)
Total Capital Outlay	11,100	11,100	21,127	(10,027)
Total Expenditures	324,805	319,165	392,343	(73,178)
Other Financing Uses				
Interfund Transfers (Out)				
Fire Operating	118,000	107,275	121,514	(14,239)
Total Other Financing Uses	118,000	107,275	121,514	(14,239)
Total Expenditures and Other Financing Uses	\$442,805	\$426,440	\$513,857	\$ (87,417)



JENNIFER M. GRANHOLM
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

JAY B. RISING
STATE TREASURER

August 25, 2005

Crockery Township Board
17431 112th Avenue
Nunica, Michigan 49448

RE: Report on Compliance and on Internal Control over Financial Reporting
Based on an Audit of Financial Statements Performed in Accordance With
Government Auditing Standards

Dear Board Members:

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Crockery Township, Ottawa County, Michigan, as of and for the year ended June 30, 2005, which collectively comprise Crockery Township's basic financial statements and have issued our report thereon dated August 25, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance--As part of obtaining reasonable assurance about whether Crockery Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards. However, we did note other instances of noncompliance described in the accompanying comments and recommendations.

Internal Control Over Financial Reporting--In planning and performing our audit, we considered Crockery Township's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Crockery Township's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying comments and recommendations.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above we consider 05-01 through 05-05 as material weaknesses.

This report is intended solely for the information and use of the management, the board of commissioners, Federal awarding agencies, and State and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.



Cary Jay Vaughn, CPA, CGFM
Audit Manager
Local Audit and Finance Division

CROCKERY TOWNSHIP--OTTAWA COUNTY

COMMENTS AND RECOMMENDATIONS

Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of internal control that, in our judgment, could adversely affect Crockery Township's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements.

A material weakness is an internal control deficiency in which the design or operation of a component(s) of internal control does not reduce to a relatively low level the risk that a material misstatement may be contained in the financial statements.

Our consideration of internal control would not necessarily disclose all matters in internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we noted the following reportable conditions that we believe to be material weaknesses.

The township is relatively small in size. Therefore, there is an overall lack of segregation of duties which should be considered when reviewing the material and reportable weaknesses listed below. Segregation of duties requires that key duties and responsibilities be divided or segregated among different people to reduce the risk of error or fraud. This should include separating the responsibilities for authorizing transactions, processing and recording them, reviewing the transactions, and handling any related assets. No one individual should control all key aspects of a transaction or event.

MATERIAL WEAKNESSES

Treasurer--Bank Reconciliation

Finding 05-01

Condition: The township treasurer is not performing bank reconciliations for the investment accounts and the cash in the general ledger is not reconciled to the cash in the bank accounts for all funds.

Criteria: The Standards of Internal Control for the Federal Government (which is a good general standard for all types of municipalities) states that reconciliations must be performed as part of internal controls. This is further enhanced by the Uniform Accounting Procedures Manual which states that "all bank accounts must be reconciled to the local unit accounting records monthly and should then be reviewed by the appropriate supervisory personnel." A reconciliation sheet should be prepared in duplicate for each month with one copy for the clerk and one copy for the treasurer. The clerk's records must agree with or reconcile to the treasurer's and the bank's records.

Recommendation: We recommend that all bank accounts be reconciled on a timely basis with the accounting records and that all bank accounts be recorded in the accounting records. The clerk and the treasurer should then compare the balances of the general ledger cash balances to the bank reconciliations. The activity in the bank should reconcile back to the general ledger and provide a means to correct errors in posting.

CROCKERY TOWNSHIP--OTTAWA COUNTY

COMMENTS AND RECOMMENDATIONS

MATERIAL WEAKNESSES (Continued)

Treasurer, Clerk--Imprest Cash

Finding 05-02

Condition: The township has two imprest cash balances. The first is the \$100 maintained in the clerk's office for daily receipts. The second is the approximately \$275 maintained by the treasurer's office for tax collections. The term "approximately" is used since this amount will have slight fluctuations. The account is not reconciled to a set amount. The amount of imprest cash recorded on the general ledger is \$50.

Criteria: According to the Uniform Accounting Procedures Manual, the township board should adopt a policy statement or resolution regarding imprest cash. The amount posted as imprest cash in the general ledger of the township must agree with the board established amount. The imprest balance on hand should then be reconciled to the established balance and reconciled timely.

Recommendation: We recommend that the township board first establish a policy statement or resolution stating the imprest cash balances to be used by the township. Second, the township should adjust its general ledger to reflect the balance of the imprest cash. Third, the township board should establish reconciling procedures to verify the procedures for maintaining the imprest cash balance.

Clerk--Lack of Administrative Approval for Disbursements

Finding 05-03

Condition: The township clerk reviews invoices as they are received but does not indicate any administrative approval on the invoices.

Clerk--Approval of Time Sheets

Finding 05-04

Condition: Time sheets are not signed or initialed to indicate evidence of supervisory review.

Criteria: Standards of Internal Control for the Federal Government lists *control activities* as one of the five components of internal control. Control activities occur at all levels and include a wide range of diverse activities such as approvals, authorizations, verifications, reconciliations, and performance reviews. According to the Standards for Internal Control, transactions should be promptly recorded to maintain their relevance and value to management in controlling operations and making decisions. This applies to the entire vendor payment and payroll process from the initiation and authorization through its final classification in summary records. According to the Uniform Accounting Procedures Manual, invoices should contain administrative approval as verification that the invoices (or timesheets) have been properly reviewed and "appropriate documentation that has been reviewed by the proper personnel must be attached for all disbursements."

Recommendation: We recommend that the township clerk begin including administrative approval on all invoices as verification that the invoices have been reviewed and that all time sheets be reviewed and signed by the appropriate personnel.

CROCKERY TOWNSHIP--OTTAWA COUNTY

COMMENTS AND RECOMMENDATIONS

MATERIAL WEAKNESSES (Continued)

Township Board--Capital Assets

Finding 05-05

Condition: The township does not maintain adequate internal controls for capital assets and a capital asset listing is not maintained in accordance with generally accepted accounting principles.

The township has not adopted a capitalization policy to determine a “threshold” to capitalize an asset or record it as an expenditure.

Criteria: It is the responsibility of the township to update the fixed assets listing for additions and deletions. Assets purchased during the year and recorded as capital outlay should equal the additions to the capital asset records. Disposals should equal the reductions to the capital asset records.

Recommendation: We recommend that the township develop a property management system that includes all of the following steps:

- 1) An inventory of all capital assets owned by the township should be taken and included in the permanent records of the township and updated annually.
- 2) All assets owned by the township should be permanently labeled in some manner such as individual tags. This will not only facilitate the inventory suggested above, but will also make it more difficult for assets of the township to be removed or used by unauthorized personnel.
- 3) As part of the property management system, the township should keep records on all assets owned by the township which includes the following information:

-Date of Acquisition	-Date of Disposal (when sold or scrapped)
-Tag Number	-Salvage Value (if any)
-Description of Property	-Life of Asset
-Original Cost of Asset	-Depreciation Method of the Asset
-Location of Asset	-Accumulated Depreciation of the Asset
- 4) Capital assets that meet the township's capitalization policy should be included on the capital asset listing.
- 5) Capital outlay/assets which are purchased under the established capitalization threshold or assets with life expectancy of less than 1 year, regardless of cost, should be classified as a supply or repairs and maintenance expenditure.

CROCKERY TOWNSHIP--OTTAWA COUNTY

COMMENTS AND RECOMMENDATIONS

MATERIAL WEAKNESSES (Continued)

Developing a property management system will not only facilitate the preparation of financial statements related to capital assets and provide a system of protection for the assets, it will provide an excellent record for insurance and replacement purposes as well. It is now mandatory, according to Governmental Accounting Standards Board (GASB) Statement No. 34, that capital assets are to be included in the financial statements of the township.

REPORTABLE CONDITIONS

Although the following are not considered material weaknesses in internal controls, our audit disclosed certain other reportable conditions which we wish to point out for consideration by the management of Crockery Township.

Special Assessments--Reconcilement of General Ledger to Subsidiary Records *Finding 05-06*

Condition: Prior to audit adjustments, the control accounts for special assessments receivable in the year end general ledger did not agree with subsidiary records and reports.

Criteria: Subsidiary records should reconcile to control accounts. Specifically, the special assessments should agree with the subsidiary special assessment ledger.

Recommendation: We recommend that, prior to closing the books at year end, responsible township personnel compare relevant subsidiary records and reports to the general ledger to assure that the balances for special assessments receivable agree with the totals of the supporting records and reports.

Clerk--Accruals

Finding 05-07

Condition: Accruals (accounts payable) were not recorded for the enterprise fund or governmental funds.

Criteria: Governmental funds are to be maintained on a modified accrual basis. Generally accepted accounting principles also require that accounts payable be established to properly match the fiscal year's revenues and expenses. Enterprise funds are to be maintained on a full accrual basis of accounting.

Recommendation: We recommend that the township record accruals. The accruals should be reconciled to subsidiary records to support the balances in the respective accounts.

CROCKERY TOWNSHIP--OTTAWA COUNTY

COMMENTS AND RECOMMENDATIONS

STATUTORY NONCOMPLIANCE

Clerk--Review of the General Ledger

Finding 05-08

Condition: The township treasurer prepares the general ledger of the township. The general ledger prepared is **not reviewed** by the clerk to verify the accuracy of the postings.

Criteria: MCL 41.65 states: "The township clerk shall also open and keep an account with the treasurer of the township, and shall charge the treasurer with all funds that come into the treasurer's hands by virtue of his or her office, and shall credit him or her with all money paid out by the treasurer on the order of the proper authorities of the township, and shall enter the date and amount of all vouchers in a book kept by the township clerk in the office. The township clerk shall be responsible for the detailed accounting records of the township utilizing the uniform chart of accounts prescribed by the state treasurer. The township clerk shall prepare and maintain the journals and ledgers necessary to reflect the assets, liabilities, fund equities, revenues, and expenditures for each fund of the township."

Directive: We direct the township clerk to review the entries made to the general ledger as prepared by the township's treasurer to verify its accuracy if the township continues its current procedures for preparing the general ledger.

Clerk--Violation of the Open Meetings Act

Finding 05-09

Condition: On December 27, 2004, the township held a closed meeting to discuss a written legal opinion.

Criteria: MCL 15.268 section 8 (b) of the Open Meetings Act states, "A public body may meet in a closed session to consider the dismissal, suspension, or disciplining of, or to hear complaints or charges brought against, or to consider a periodic personnel evaluation of, a public officer, employee, staff member, or individual agent, if the named person requests a closed hearing. A person requesting a closed hearing may rescind the request at any time, in which case the matter at issue shall be considered after the rescission only in open sessions."

Another exception is, MCL 15.268, Section 8 (e) of the Open Meetings Act which states: "To consult with its attorney regarding trial or settlement strategy in connection with specific pending litigation, but only if an open meeting would have a detrimental financial effect on the litigating or settlement position of the public body."

MCL 15.267, section 7 (1) of the Open Meetings Act states, in part: "The roll call vote and the purpose or purposes for calling the closed session shall be entered into the minutes of the meeting at which the vote is taken."

Directive: We direct the township to discontinue holding closed sessions unless held in accordance with State law above. If a meeting is held in accordance with the Open Meetings Act, the purpose of the closed session should be clearly defined in the minutes of the board meeting.

CROCKERY TOWNSHIP--OTTAWA COUNTY

COMMENTS AND RECOMMENDATIONS

STATUTORY NONCOMPLIANCE (Continued)

Township Board--Adoption of Township General Appropriation Acts

Finding 05-10

Condition: The 2004-2005 budget was not adopted until after the start of the fiscal year. At the start of the year, the township was incurring expenditures in excess of the budget (because there was no budget adopted). The budgets that were adopted by the board only contained current year's information. The General Fund and Building Fund were not balanced budgets as the township budgeted more expenditures than revenues.

Criteria: MCL 141.435, Section 15 states:

- (1) The recommended budget shall include at least the following:
 - (a) Expenditure data for the most recently completed fiscal year and estimated expenditures for the current fiscal year.
 - (b) An estimate of the expenditure amounts required to conduct, in the ensuing fiscal year, the government of the local unit, including its budgetary centers.
 - (c) Revenue data for the most recently completed fiscal year and estimated revenues for the current fiscal year.
 - (d) An estimate of the revenues, by source of revenue, to be raised or received by the local unit in the ensuing fiscal year.
 - (e) The amount of surplus or deficit that has accumulated from prior fiscal years, together with an estimate of the amount of surplus or deficit expected in the current fiscal year. The inclusion of the amount of an authorized debt obligation to fund a deficit shall be sufficient to satisfy the requirement of funding the amount of a deficit estimated under this subdivision.
 - (f) An estimate of the amounts needed for deficiency, contingent, or emergency purposes.
 - (g) Other data relating to fiscal conditions that the chief administrative officer considers to be useful in considering the financial needs of the local unit.
- (2) The total estimated expenditures, including an accrued deficit, in the budget shall not exceed the total estimated revenues, including an available unappropriated surplus and the proceeds from bonds or other obligations issued under the fiscal stabilization act or the balance of the principal of these bonds or other obligations.

MCL 141.438, Section 18 (3) states: "Except as otherwise provided in section 19, an administrative officer of the local unit shall not incur expenditures against an appropriation account in excess of the amount appropriated by the legislative body. The chief administrative officer, an administrative officer, or an employee of the local unit shall not apply or divert money of the local unit for purposes inconsistent with those specified in the appropriations of the legislative body."

CROCKERY TOWNSHIP--OTTAWA COUNTY

COMMENTS AND RECOMMENDATIONS

STATUTORY NONCOMPLIANCE (Continued)

Directive: We direct the township to comply with the above statutory budgeting requirements and to schedule and hold hearings as required by law. The township board should take appropriate action to ensure that the budget is balanced and adopted in a timely manner as required by law and make budget amendments as needed throughout the year.

Township Board--Expenditures in Excess of Appropriations

Finding 05-11

Condition: Our examination of procedures used by the township to adopt and maintain operating budgets for the township's budgetary funds revealed the following instances of noncompliance with the provisions of Public Act 2 of 1968, as amended, the Uniform Budgeting and Accounting Act.

The township's 2004/2005 General Appropriations Act (budget) provided for expenditures of the General Fund to be controlled to the activity level by the township. As detailed below, actual 2004/2005 expenditures exceeded the board's approved budget allocations for several general fund activities.

During the fiscal year ended June 30, 2005, expenditures were incurred in excess of amounts appropriated in the amended budgets for the General Fund and Special Revenue Funds as follows:

<u>Fund, Function and Activity</u>	<u>Budget</u>	<u>Actual</u>	<u>Excess Expenditures</u>
General			
General Government			
Township Board	\$ 6,785	\$ 7,412	\$ (627)
Elections	2,600	6,012	(3,412)
Audit	10,800	25,892	(15,092)
Assessor	18,800	19,520	(720)
Attorney	15,000	64,197	(49,197)
Clerk	20,315	21,776	(1,461)
Building and Grounds	44,395	53,573	(9,178)
General Administration	25,005	27,803	(2,798)
Capital Outlay	11,100	21,127	(10,027)
Transfers Out	107,275	121,514	(14,239)
Road Assessments			
Public Works	52,400	55,449	(3,049)
Fire Operating			
Public Safety	137,945	139,777	(1,832)
Fire Truck and Station			
Public Safety	15	51	(36)
Building			
Public Safety	46,340	46,792	(452)

CROCKERY TOWNSHIP--OTTAWA COUNTY

COMMENTS AND RECOMMENDATIONS

STATUTORY NONCOMPLIANCE (Continued)

Criteria: The expenditures of funds in excess of appropriations are contrary to the provisions of Section 17 of Public Act 2 of 1968.

Direction: We direct that the township develop budgetary control procedures for the General Fund which will ensure that expenditures do not exceed amounts authorized in the General Appropriations Act or amendments thereof.

Township Board--Special Revenue Fund Budget Adoption

Finding 05-12

Condition: Budgets were not adopted for the Fire Truck Fund, Fire Donation Fund, Park Donation Fund, Cemetery Fund, and Library Fund.

Criteria: MCL 141.436 states: "...the legislative body of each local unit shall pass a general appropriations act for all funds except trust or agency, intragovernmental service, enterprise, public improvement or building and site, for which the legislative body may pass a special appropriation act.

Direction: We direct the township to adopt budgets for all required funds prior to the start of the new fiscal year. The budget should include all items required by law and Public Act 621, the Uniform Budgeting Act.

Deficit Fund Balances

Finding 05-13

Condition: As of June 30, 2005, a deficit in the unreserved fund balance existed in the Fire Operating Fund (special revenue fund) of \$3,419.

Criteria: Public Act 275 of 1980 requires Crockery Township to file a deficit elimination plan with the Michigan Department of Treasury within 90 days after the end of the fiscal year for each fund that ended that year in a deficit condition. Crockery Township has not filed the required plan.

Direction: We direct Crockery Township to file a Deficit Elimination Plan as required by PA 275 of 1980.

Township Board--Violations of Public Act 2 of 1968--Audit

Finding 05-14

Material weaknesses and reportable conditions in the accounting system of the township are matters which allow the Department of Treasury to continue to require an annual audit.

Crockery Township shall obtain annual audits until the deficiencies in the accounting system have been corrected and a complete accounting system has been established and maintained.